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TAGS: ECON EFIN NI
SUBJECT: NIGERIA: THE TENTH ECONOMIC SUMMIT: NEW PLANS, NEW HOPES, OLD DOUBTS

¶1. (U) Summary. The Nigerian Economic Summit Group's tenth annual summit ended on September 12 on a cautiously optimistic note. Delegates from business, academia and the public sector recognized the need for far-reaching economic reforms and seemed optimistic that they might be implemented under the leadership of President Obasanjo's new economic team, but their optimism was tempered by doubts about the efficacy of previous summits and subsequent attempts at reform. End summary.

¶2. (U) The president's new chief economic advisor (appointed last June), Dr. Charles Soludo, emerged as one of the summit's leading advocates of reform; to a large extent, the summit bore his stamp. Soludo said bluntly that Nigeria's economy would remain stagnant unless the GON undertakes drastic changes. Without reform, he said, achieving the GON's target of 5-7 percent GDP growth will be virtually impossible, particularly as Nigeria has never sustained even 5 percent growth for more than three consecutive years. Soludo argued that the current situation - one of low productivity, low investment, low GDP growth and widespread poverty - is unsustainable and expressed dismay at the GON's poor policy coordination, lack of fiscal and monetary discipline, and failure to root out corruption and rent seeking behavior. Soludo painted a harsh but accurate picture of the Nigerian economy; others echoed it and used it to push for reform.

¶3. (U) With the new Minister of Finance, Soludo figures prominently in President Obasanjo's new economic team. The group is widely perceived as competent and knowledgeable, and many believe this to be one of the GON's best chances for implementing reform. Soludo himself believes that with executive buy-in, new cooperation among federal and state governments (facilitated by the governing party's control of 28 of Nigeria's 36 states), a receptive and responsive legislature, and strong stakeholder support, the time is ripe for change. Toward that end, Soludo emphasized the importance of a concise and coherent reform agenda focused on a handful of priorities: establishing sound fiscal and monetary policies, facilitating private sector growth and investment, and improving the delivery of basic public services.

¶4. (U) Soludo urged the GON to minimize ever-growing budget deficits by establishing overall expenditure limits and setting aside excess oil earnings to stabilize revenues (both reforms would require appropriate enabling legislation). He also called for careful monitoring of the GON's debt profile and greater fiscal policy coordination among federal and state governments - particularly since many states are technically bankrupt or on the verge of bankruptcy - and urged governments at all levels to tie their budgets to agreed-upon spending priorities. Soludo went on to stress the need for stable exchange rates and controlled growth in the money supply, thus echoing the Central Bank's stated goals of stable monetary policy and single-digit inflation.

¶5. (U) Along with other GON officials, Soludo called for a series of reforms to facilitate private sector growth and investment, suggesting first and foremost that the GON move forward with the privatization of major public enterprises and continue efforts to liberalize the downstream petroleum sector. He also emphasized the importance of stronger anti-corruption laws, sound competition policy, and well-defined and transparent regulatory regimes, pointing out that the latter is crucial to any attempt to attract private sector investment.

¶6. (U) Summit delegates widely acknowledged the GON's

failure to effectively deliver public services. Nigeria's poor infrastructure and lack of readily available healthcare and education are among the country's biggest obstacles to growth, and along with other speakers, Soludo emphasized the need for improved power supplies, expanded transportation and telecommunications networks, and more (and better) schools and healthcare facilities. The World Bank's country director, Dr. Mark Tomlinson, pointed out, however, that improving the delivery of public services would require massive investment - investment that the GON simply cannot afford. Financing Nigeria's much-needed 6,000-megawatt increase in power generating capacity will alone require $6 billion, and many billions of dollars more are needed to finance improvements in roads, railways, ports, telecommunications networks, schools and healthcare facilities.

¶7. (U) Given the GON's limited resources, Soludo and other summit participants called on the private sector to play a greater role in financing investment and emphasized the need for more numerous public-private partnerships. They recognized, however, that even private sector investment would be insufficient. Both Soludo and Tomlinson said bluntly that consumers would have to shoulder more of the burden of providing public services, particularly since they now pay for only 30 to 40 percent of all power generated and enjoy surprisingly low charges for water delivery (Nigerians pay only $0.04 per cubic meter of water, as compared to $1.52 in Burkina Faso, $1.10 in Mauritania and $0.75 in Mali). Even the price of fuel is heavily subsidized. Unfortunately, transferring financial responsibility to consumers may be easier said than done, particularly when previous price increases have been met by strong resistance.

¶8. (U) Comment. Although Nigeria's economic landscape is littered with failed reform initiatives, summit delegates seemed remarkably optimistic that under the government's new economic team, things might be different; perhaps the tenth time is the charm. Many believe that the GON's reform agenda now enjoys unprecedented support both within and outside the government. Soludo himself is acutely aware of Nigeria's history of failed reform attempts, but he stressed in a recent newspaper interview that the chances for successful reform are greater now than in the past. Rather than being an ivory tower exercise, he said, the current agenda is grounded in political reality and enjoys the support of the "highest levels." Post certainly hopes so; if even a handful of its recommendations are implemented, Nigeria may be looking at a brighter economic future. But as a veteran participant in these summits told us a few days after this one ended, "been there, done that, bought the T-shirt." End comment.

HINSON-JONES